

HBL has announced its 1QCY22 result where it posted a profit after tax of Rs8.29bn (EPS: Rs5.65) as compared to profit after tax of Rs8.29bn (EPS: Rs5.66) in the same period last year, down by 0.03% YoY.

The bank has posted a net interest income of Rs33.16bn against Rs30.06bn in SPLY, recording an increase of 10.3%.

Non-interest income has been increased by 24.8% YoY to Rs9.20bn as compared to Rs7.37bn during SPLY, mainly due to the increase in foreign exchange and fee & commission income.

The operating cost to income ratio has been increased to 63.9% as compared to 57% during SPLY.

HBL is currently trading at CY22E PE of 4.90x. Furthermore, the scrip is trading at a CY22E P/B of 0.67x which offers a discount of 10% relative to its historical 3-year average of 0.74x. We recommend our investors to **BUY** the scrip with a Justified PB Dec-22 TP of Rs.140 which provides an upside potential of 26%. Furthermore, it also offers an attractive dividend yield of 7% which makes the total return of 33%.

Rupees' millions	1QCY22	1QCY21	YoY	CY21	CY20	YoY
Interest earned	80,872	59,610	35.7% ▲	245,252	257,777	4.9% ▼
Interest expensed	-47,710	-29,548	61.5% ▲	-124,305	135,725	8.4% ▼
Net Interest Income	33,161	30,062	10.3% ▲	120,947	122,052	0.9% ▼
Fee and commission income	6,446	5,114	26.0% ▲	22,244	16,353	36.0% ▲
Dividend income	598	336	77.8% ▲	1,509	1,668	9.5% ▼
Foreign exchange income	2,017	825	144.5% ▲	4,598	-422	459884.6% ▲
(Loss) / gain on securities	198	-167	218.8% ▼	1,442	7,027	79.5% ▼
Other income	97	87	11.9% ▲	1,114	38	2815.2% ▲
Non-Interest Income	9,205	7,375	24.8% ▲	30,724	25,743	19.4% ▲
Operating expenses	-27,078	-21,350	26.8% ▲	-84,608	-83,152	1.8% ▲
Workers' Welfare Fund	-282	-317	11.2% ▼	-1,180	-1,104	6.8% ▲
Other charges	-159	-42	277.4% ▲	-557	-321	73.7% ▲
Profit Before Provisions	14,847	15,728	5.6% ▼	65,327	63,218	3.3% ▲
Provisions	-787	-1,727	54.5% ▼	-6,353	-10,224	37.9% ▼
Profit Before Taxation	14,060	14,000	0.4% ▲	58,974	52,994	11.3% ▲
Taxation	-5,765	-5,702	1.1% ▲	-24,703	-21,471	15.1% ▲
Profit After Taxation	8,295	8,298	0.0% ▼	34,271	31,524	8.7% ▲
Earnings Per Share	5.65	5.66	0.0% ▼	23.36	21.49	8.7% ▲
Dividend	2.25	1.75	28.6% ▲	7.50	4.25	76.5% ▲
Bonus	0%	0%		0%	0%	

Closing Period: 29 April 2022 – 30 April 2022

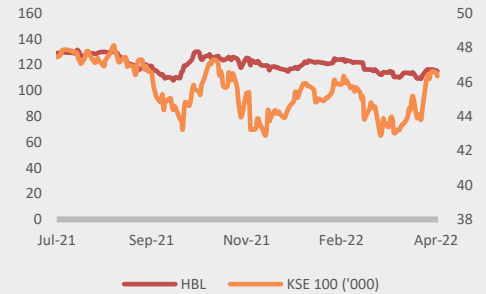
Operating Cost to Income	-63.9%	-57.0%	6.9% ▲	-55.8%	-56.3%	0.5% ▼
Effective Taxation	-41.0%	-40.7%	0.3% ▲	-41.9%	-40.5%	1.4% ▲

Source: ACPL Research, Company Financials

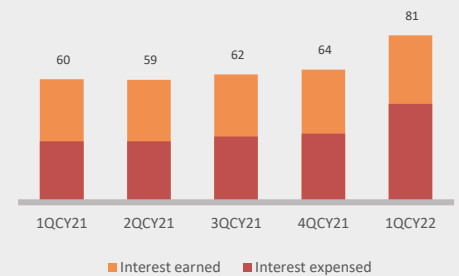
Key Statistics

Symbol	HBL
TP - Dec 22	140.00
LDCP	111.00
Upside (%)	26
Free Float ('mn)	733
Market Cap. (Rs.'mn)	162,908

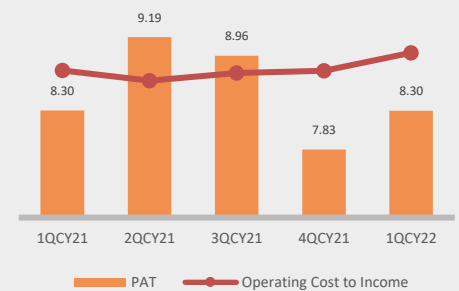
HBL vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

Muhammad Nauman Naeem

Phone: (+92) 42 38302028; Ext: 116

Email: nauman@abbasiandcompany.com

Financial Projections

Rupees' millions	2019	2020	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	246,425	257,777	245,252	363,977	433,445	486,052	542,822
Mark-up / Return / Interest expensed	-151,799	-135,725	-124,305	-230,217	-272,711	-306,064	-342,629
Net Mark-up / Interest Income	94,626	122,052	120,947	133,761	160,734	179,988	200,193
Fee and commission income	18,197	16,353	22,244	26,693	29,362	32,298	35,528
Dividend income	1,311	1,668	1,509	2,464	2,734	3,036	3,374
Foreign exchange income	176	-422	4,598	5,747	5,747	5,747	5,747
(Loss) / gain from derivatives	-186	1,078	-182	-637	-637	-637	-637
(Loss) / gain on securities	-1,566	7,027	1,442	302	338	379	424
Other income	827	38	1,114	1,092	1,070	1,048	1,027
Total non-markup / interest income	18,759	25,743	30,724	35,660	38,613	41,871	45,463
Non mark-up / interest expenses							
Operating expenses	-82,709	-83,152	-84,608	-106,735	-125,589	-139,771	-154,763
Workers' Welfare Fund	-567	-1,104	-1,180	-1,102	-1,297	-1,444	-1,599
Other charges	-480	-321	-557	-827	-985	-1,104	-1,233
Profit Before Provisions	29,628	63,218	65,327	60,756	71,476	79,540	88,061
Provisions / (reversal of provisions)	-2,530	-10,224	-6,353	-3,494	-4,878	-4,962	-4,996
Profit before income tax	27,099	52,994	58,974	57,262	66,598	74,578	83,065
Income tax expense	-12,035	-21,471	-24,703	-23,986	-27,896	-31,239	-34,794
Profit for the year	15,064	31,524	34,271	33,276	38,702	43,339	48,271
EPS	10.27	21.49	23.36	22.69	26.38	29.55	32.91

Horizontal Analysis

Horizontal Analysis	2019	2020	2021E	2022E	2023E	2024E	2025E
Mark-up / Return / Interest earned	56.8%	4.6%	-4.9%	48.4%	19.1%	12.1%	11.7%
Mark-up / Return / Interest expensed	87.1%	-10.6%	-8.4%	85.2%	18.5%	12.2%	11.9%
Net Mark-up / Interest Income	24.5%	29.0%	-0.9%	10.6%	20.2%	12.0%	11.2%
Fee and commission income	13.1%	-10.1%	36.0%	20.0%	10.0%	10.0%	10.0%
Dividend income	-19.4%	27.2%	-9.5%	63.3%	10.9%	11.0%	11.1%
Foreign exchange income	-105.3%	-339.4%	-1190.8%	25.0%	0.0%	0.0%	0.0%
(Loss) / gain on securities	-161.5%	-548.7%	-79.5%	-79.1%	12.0%	12.0%	12.0%
Other income	109.4%	-95.4%	2815.2%	-2.0%	-2.0%	-2.0%	-2.0%
Total non-markup / interest income	14.1%	37.2%	19.4%	16.1%	8.3%	8.4%	8.6%
Non mark-up / interest expenses							
Operating expenses	17.6%	0.5%	1.8%	26.2%	17.7%	11.3%	10.7%
Workers' Welfare Fund	-119.9%	94.7%	6.8%	-6.5%	17.7%	11.3%	10.7%
Other charges	-3.2%	-33.2%	73.7%	48.4%	19.1%	12.1%	11.7%
Profit Before Provisions	21.0%	113.4%	3.3%	-7.0%	17.6%	11.3%	10.7%
Provisions / (reversal of provisions)	-45.5%	304.1%	-37.9%	-45.0%	39.6%	1.7%	0.7%
Profit before income tax	36.5%	95.6%	11.3%	-2.9%	16.3%	12.0%	11.4%
Income tax expense	49.3%	78.4%	15.1%	-2.9%	16.3%	12.0%	11.4%
Profit for the year	27.8%	109.3%	8.7%	-2.9%	16.3%	12.0%	11.4%
EPS	27.8%	109.3%	8.7%	-2.9%	16.3%	12.0%	11.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Yield on Earning Assets	%	8.81	7.59	6.47	8.50	9.09	9.15	9.16
Interest Cost	%	5.55	4.14	3.38	5.60	5.92	5.94	5.94
Net Interest Margin	%	3.26	3.45	3.09	2.90	3.16	3.21	3.23
Operating Cost to Income	%	73.87	57.23	56.93	64.14	64.14	64.15	64.15
Return on Equity	%	7.48	12.99	13.29	12.77	13.46	13.64	13.74
Return on Assets	%	0.49	0.87	0.84	0.72	0.75	0.76	0.76
Balance Sheet Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Deposits Growth	%	13.95	15.97	19.28	12.00	12.00	12.00	12.00
CASA to Deposits	%	78.57	74.03	70.78	74.03	74.03	74.03	74.03
Advances to Deposits	%	46.61	41.86	43.48	47.02	46.88	46.75	46.62
Investments to Deposits	%	58.73	71.63	59.83	60.52	59.95	59.44	58.98
PIBs to Investments	%	47.32	55.04	63.14	63.14	63.14	63.14	63.14
T Bills to Investments	%	46.04	33.26	20.66	20.66	20.66	20.66	20.66
Gross Infection Ratio	%	6.34	6.32	5.07	5.80	5.50	5.20	4.90
Provisioning Coverage	%	91.78	88.89	93.15	78.00	78.00	78.00	78.00
Net Infection Ratio	%	0.55	0.75	0.37	1.21	1.15	1.09	1.03
Capital Adequacy Ratio	%	15.35	17.24	15.63	15.26	15.14	15.04	14.94
Leverage Ratio	%	4.42	4.25	4.38	4.20	4.15	4.11	4.07
Operational Analysis		2019	2020	2021	2022E	2023E	2024E	2025E
Market Share - Deposits	%	15.73	14.93	15.18	14.81	14.44	14.09	13.74
Market Share - Advances	%	14.01	14.05	14.42	13.69	13.35	13.02	12.70
Market Share - Investments	%	15.35	16.47	13.54	13.33	12.88	12.45	12.05
No. of Branches		1712	1697	1697	1697	1697	1697	1697
Investment Ratios		2019	2020	2021	2022E	2023E	2024E	2025E
Dividend Per Share		5.00	4.25	7.50	7.25	8.50	9.50	10.50
Dividend Yield	%	4.50	3.83	6.76	6.53	7.66	8.56	9.46
Dividend Cover	x	2.05	5.06	3.12	3.13	3.10	3.11	3.13
Retention Ratio	%	51.31	80.22	67.90	67.90	67.90	67.90	67.90
Payout Ratio	%	48.69	19.78	32.10	32.10	32.10	32.10	32.10
No. of Shares	('m)	1467	1467	1467	1467	1467	1467	1467
Earnings Per Share		10.27	21.49	23.36	22.69	26.38	29.55	32.91
Book Value Per Share		137.32	165.47	175.84	177.70	196.01	216.54	239.49
Price to Earnings	x	10.81	5.17	4.75	4.89	4.21	3.76	3.37
Price to Book Value	x	0.81	0.67	0.63	0.62	0.57	0.51	0.46

Source: ACPL Research, Company Financials

DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com